

**CITY OF NEWPORT BEACH
CITY COUNCIL FINANCE COMMITTEE
APRIL 22, 2013 MEETING MINUTES**

1. CALL TO ORDER

The meeting was called to order at 4:05 p.m. in the Council Conference Room, 100 Civic Center Drive, Newport Beach, California 92660.

2. ROLL CALL

Present: Council Member Mike Henn (Chair), Mayor Keith Curry and Council Member Tony Petros

Staff present: City Manager Dave Kiff, Finance Director Dan Matusiewicz, Deputy Finance Director Steve Montano, Accounting Manager Rukshana Virany and Administrative Coordinator Tammie Frederickson

Members of the public: Jim Mosher

3. PUBLIC COMMENTS

Council Member Henn noted that written comments received from Mr. Mosher prior to the meeting contained a lot of informational questions and he directed staff to provide answers to Mr. Mosher in a satisfactory way. Mr. Mosher expressed his hope that his written comments will be archived with the minutes and Finance Director Matusiewicz confirmed that the same method used by the City Clerk of adding written comments will be followed.

4. APPROVAL OF MINUTES

Mr. Mosher provided suggested grammatical corrections to the March 25, 2013, minutes. Mayor Curry moved, Council Member Petros seconded to approve the minutes with the grammatical corrections.

5. CURRENT BUSINESS

A. Reserve Policy Review and Update

Mr. Matusiewicz provided an overview of the governmental accounting categorization of funds noting that governmental and proprietary funds have a different measurement focus and basis of accounting. The term fund balance is used for governmental accounting and net working capital is the term used to describe proprietary fund reserves. Accounting standards further break down fund balance restrictions to categories defined as non-spendable, externally restricted, committed, assigned or unassigned.

Mr. Matusiewicz went on to summarize the proposed changes to the Reserve Policy. Council Member Henn confirmed that the only significant change to the

Contingency reserve adds a provision that explicitly states it can be also be used for debt service obligations. Correctly representing requirements within Council Policy B-2 will be reflected by restating how money will be set aside in a Senior Center and Recreation Facilities Rental Reserve for equipment replacement or facility refurbishment as opposed to for a Senior Center site.

Mr. Matusiewicz noted that revised wording for infrastructure replacement funding in the Water and Wastewater Enterprise Funds aligns the contribution level with funding requirements of the Water Master Plan. A revision to the Internal Service Funds section of the Policy will make it incumbent on the Finance Director to recommend realignments when appropriate as part of the annual budget adoption. Council Member Henn suggested revised wording in this section to reflect that the Finance Director makes recommendations to the City Council for approval.

Mr. Matusiewicz confirmed the proposed changes will not result in any net financial effect on the reserve balances.

Mr. Mosher questioned whether the Off Street Parking fund is categorized correctly to be consistent with provisions in Section 1113 of the Charter. Council Member Petros reviewed the Municipal Code and Charter, and confirmed that the City Council has authority to direct funds out of the Off Street Parking fund.

Mayor Curry moved, Council Member Petros seconded to forward the recommended Policy revisions as discussed to the full Council for approval. The motion was unanimously approved.

B. Final Review of Debt Management Policy and Changes to Facilities Replacement Program Policy F-28

Deputy Director Montano commented that the Debt Management Policy has been further refined in response to Finance Committee feedback given at the March 25, 2013, meeting. Additionally, revisions are proposed to Council Policy F-28, Facilities Replacement Program to establish a floor of 3% for the annual General Fund contribution as opposed to a ceiling. A similar change is proposed to align the Fiscal Sustainability Plan with the proposed debt policy.

Committee Members unanimously approved the recommended new policy and proposed that policy revisions be forwarded to the City Council for approval.

C. Second Review of Facilities Finance Plan (FFP)

Mr. Matusiewicz discussed changes made to the FFP to enhance the Plan as directed by the Finance Committee at the previous meeting. The biggest impact was the inclusion of additional developer contributions projected over the next year. He noted there would be very little debt that needs to be issued to complete the Plan. The average General Fund contribution over a 30-year period is sustainable at 4.3%.

Council Member Petros commented a sensitivity analysis on construction costs over time may be warranted as it is a sensitive variable.

Council Member Henn instructed park-in-lieu items should be identified as such in the descriptions and Uptown Newport should be adjusted to reflect the credit for developer contribution.

There was discussion on stylistic consistency on how the planning tool is referred to in various documents and a consensus was reached to name it the Facilities Financial Planning Tool (FFPT). The formerly named Facilities Replacement Plan shall be named the Facilities Financial Planning Reserve fund. The next step will involve briefing the City Council on the FFPT as part of the budget discussion.

D. Quarterly Financial Review, FY 2013-14 Budget Update and Review of Long-range Fiscal Forecast

Deputy Director Montano reviewed the outline proposed for the Quarterly Financial Report (QFR) for the quarter ended March 30, 2013, which will be going to the Council with the Quarterly Business Report on May 28, 2013. Mayor Curry commented that the report should focus on looking at the rate of expenditures relative to the budget. He discussed the items to be included as part of the FY 2013-14 budget discussion which is separate and not part of the QFR.

Council Member Henn pointed out it would be beneficial to communicate that much of projected future infrastructure spending will be cash because of conservative management and thorough planning.

E. 2013 Work Plan Update

The revised Finance Committee Work Plan was presented and includes review of QFRs prior to City Council review. The fourth quarter FY 2013 QFR will be included on the September 23, 2013, Finance Committee agenda for review and will be included in the City Manager's Quarterly Business Report (QBR) on the October 22, 2013, City Council agenda. The first quarter FY 2014 QFR will be scheduled for review by the Finance Committee at the meeting of November 14, 2013, and will be included in the QBR for the City Council agenda of December 10, 2013.

Council Member Petros questioned the last time that traffic fees were reviewed and expressed an interest in updating such fees on a regular basis. City Manager Kiff explained the review process for fees which is on a 3-year cycle for each department.

Council Member Henn directed language added to the work plan that auditors will contact members of the Finance Committee individually to discuss the audit work plan and if auditors determine any potential areas of concern, they will request the Finance Director to convene a meeting of the Committee.

6. FINANCE COMMITTEE ANNOUNCEMENTS OR MATTERS WHICH MEMBERS WOULD LIKE PLACED ON A FUTURE AGENDA FOR DISCUSSION, ACTION OR REPORT (NON-DISCUSSION ITEM)

No future agenda items were discussed other than items that will be revised and brought back as directed.

7. ADJOURNMENT

The Finance Committee adjourned at 5:30 p.m.

Filed with these minutes are copies of all material distributed at the meeting.

Attest:



Mike Henn, Chair
Finance Committee Chair

10/15/13

Date